

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC INVESTIGATION INTO THE)	CASE NO.
FINANCIAL AND OPERATING CAPACITY OF)	2024-00325
MORGAN COUNTY WATER DISTRICT)	

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION
TO MORGAN COUNTY WATER DISTRICT

Morgan County Water District (Morgan District), pursuant to 807 KAR 5:001, shall file with the Commission an electronic version of the following information. The information requested is due on February 21, 2025. The Commission directs Morgan District to the Commission's July 22, 2021, Order in Case No. 2020-00085¹ regarding filings with the Commission. Electronic documents shall be in portable document format (PDF), shall be searchable, and shall be appropriately bookmarked.

Each response shall include the question to which the response is made and shall include the name of the witness responsible for responding to the questions related to the information provided. Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the

¹ Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Morgan District shall make timely amendment to any prior response if Morgan District obtains information that indicates the response was incorrect or incomplete when made or, though correct or complete when made, is now incorrect or incomplete in any material respect.

For any request to which Morgan District fails or refuses to furnish all or part of the requested information, Morgan District shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied and scanned material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Morgan District shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to Morgan District and John Coffey's response, paragraph 1. State the name of the person who is the current general manager is of Morgan District. Indicate if they have ever been employed by Morgan County Water District previously.

2. Provide the fiscal court appointment, along with any relevant minutes, that includes the date of appointment, for all three current commissioners.

3. Provide all training records for the current general manager and current commissioners related to the management or services provided by a water utility, district or association. Provide any certifications or licenses held by the current general manager.

4. Refer to Morgan District and John Coffey's response, paragraph 3. Explain what steps Morgan District took in 2024, and is continuing to take in 2025, to reduce its water loss. Include a detailed descriptions of how each project outlined in Exhibit A will contribute to reducing water loss in the District. Additionally, paragraph 3 refers to "projects" while Exhibit A appears to include information about only one project. Please clarify the difference in the descriptions.

5. Refer to Morgan District and John Coffey's response, paragraph 3, Exhibit A.

a. Provide the latest Assistance Agreement with the Kentucky Infrastructure Authority (KIA).

b. Explain whether KIA has offered additional assistance to Morgan District in 2024 or 2025. Include in the response what, if any, obligation Morgan District has to pay KIA back.

6. Refer to Morgan District and John Coffey's response paragraph 4, Exhibit B.

a. State whether Morgan District has renewed its contract with Morgan and Associates, LLC for bookkeeping services. If so, provide the current term of the contract. If not, provide the name of the firm providing these services for the district.

b. State whether Morgan District eventually plans to hire an accountant or bookkeeper in-house.

c. Explain how Morgan District will receive updates from its bookkeeping services vendor regarding contracted bookkeeping services.

d. State whether a representative from Morgan District's bookkeeping services vendor will attend monthly board meetings to provide updates to Morgan District's Commissioners. If not, name the party responsible for preparing a report to the board of commissioners.

e. Explain how Morgan District's bookkeeping services vendor will receive invoices from Morgan District. Include in the response the name of the party responsible for reviewing both the invoices and the payments.

f. Confirm if Morgan District has contracted, or intends to contract, for audit services for the year ended December 31, 2024. If confirmed, identify the vendor Morgan District has contracted, or intends to contract, with for these services. If not confirmed, explain Morgan District's plans to obtain an audit for 2024. If Morgan District intends to obtain these services from Morgan and Associates, LLC, explain how Morgan and Associates, LLC plans to maintain its auditor independence.

g. State whether Morgan District has have full access to all accounting books, ledgers, journals, reports, and all other bookkeeping workpapers related to the services provided to it by its bookkeeping services vendor

h. State whether all, or any portion, of Morgan District's paper and digital accounting records will be kept at Morgan District's office. Identify each and every portion of Morgan District's accounting records that will be maintained at Morgan District's office. Identify the location(s) where all other portions of Morgan District's accounting records will be maintained.

7. Refer to Morgan District and John Coffey's response, paragraph 7. Refer also to Case No. 2024-00010, Morgan District's Response to Commission Staff's Second Request for Information (Staff's Second Request), Item 4.²

- a. Provide the remaining balance owed on all outstanding bills.
- b. Provide an updated list of all unpaid supplier invoices and explain how Morgan District plans to prioritize paying these invoices.
- c. State how many positions were removed from the workforce and the total expected reduction in expenses from this reduction.
- d. Explain what additional steps Morgan District plans to take to become current on its indebtedness obligations.

8. Refer to Morgan District and John Coffey's response paragraph 8, Exhibit F. Explain whether, following the Division of Water's inspection on July 11, 2024, Morgan District has implemented the following recommendations by item:

- a. Install and properly use auto flush hydrants at strategic locations in order to maintain adequate Cl2 during warm weather months;
- b. Explore adding additional Cl2 boosting stations in order to maintain adequate Cl2 during warm weather months;
- c. Purchase a fluoride meter to assist in determining where leaks exist;
- d. Proceed with plans to install a master meter/interconnect with Rattlesnake Ridge Water District at the KY 172/KY 705 intersection;

² Case No. 2024-00010, *Electronic Application of Morgan County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076 (filed May 24, 2024)*, Warren District's Response to Staff's First Request, Item 4.

e. Proceed with plans to install a master meter/interconnect with Sandy Hook Water District on KY 7 near Wrigley Elementary School;

f. All booster pump stations be equipped with quick connects so portable generators can be easily installed.

g. Purchasing a portable generator capable of running the stations; and

h. Continue selling water to Campton Water District.

9. Provide a copy of all written policies and procedures that Morgan District has put in place since the hearing held May 2, 2024 in Case No. 2024-00010³. Include in this response a copy of the written policies and procedures Morgan District put into place regarding compliance with KRS 278.300, purchasing procedures, and employees' personal use of Morgan District's vehicles. If no written policies and procedures have been implemented since May 2, 2024, explain why not.

10. Provide a list of all loan agreements, lease agreements, or other financial obligations that Morgan District has entered into since the hearing held on May 2, 2024 in Case No. 2024-00010.

11. Refer to Case No. 2024-00010, May 2, 2024 Hearing Testimony from 1:35:24 - 1:38 PM.

a. State whether Morgan District has considered rotating auditors every three years.

³ Case No. 2024-00010, *Electronic Application of Morgan County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076*.

b. Explain what conversations Morgan District has had with Morgan and Associates, LLC regarding providing documentation to rate case consultants and/or any work produce of Morgan and Associates, LLC to Morgan District.

12. Refer also to Case No. 2024-00010, Morgan District's Post-Hearing Brief, page 4, that states "the state of the utility's general ledger was not such that the consulting professionals could utilize records."⁴

a. Provide the Morgan District general ledger for 2024 in Excel spreadsheet format with all formulas, rows, and columns fully accessible and unprotected.

b. Explain what steps Morgan District has taken to improve its general ledger, including its accounting practices related to the general ledger, since May 2, 2024.

13. Refer to Case No. 2024-00010, Morgan District's Post-Hearing Brief at 9. Identify any billing or accounting software, if any, that is currently used by Morgan District.

14. Refer to Case No. 2024-00010, Morgan District's Post-Hearing Brief, Exhibit 8.

a. Identify which items in Exhibit 8 would be permissible under current district policies.

b. Provide a list of all items purchased, including all purchase invoices, for December 2024 and January 2025.

15. Refer to the Commission's October 25, 2024 Order issued in Case No. 2024-00010, pages 5–6.

a. Explain whether Morgan District has studied its system to identify the sources of unaccounted for water loss.

⁴ Case No. 2024-00010 (filed May 17, 2024), Morgan District's Post Hearing Brief at 4.

b. Explain whether Morgan District has evaluated how best to use its water surcharge funds to effectuate a reduction in water loss, and if so, explain Morgan District's plan for water surcharge funds.

16. Refer to Case No. 2024-00010, specifically the Commission's October 25, 2024 Order at 38 and Morgan District's Response to Commission Staff's Second Request, Item 3. Explain whether all Morgan District funds used for personal use, by Shannon Elam or otherwise, have been properly reimbursed. If so, provide any additional evidence of said reimbursement not included in previous responses to data request. If not, explain whether the district has attempted to recover the funds.

17. Refer to Case No. 2024-00010, Morgan District's Response to Commission Staff's Second Request, Item 8.

a. Provide an updated list of all active leased-vehicle agreements that Morgan District has entered into, including the implementation date of the agreement and the term.

b. Provide any new leased vehicle agreements entered into by Morgan District since the hearing held on May 2, 2024 in Case No. 2024-00010.


c. Provide the most recent Open- End (Equity) Lease Schedule.

18. Refer to Case No. 2022-00245⁵, including the Commission's December 20, 2022 Order. Explain the current status of this construction project, and whether Morgan

⁵ Case No. 2022-00245, *Electronic Application of Morgan District for the Issuance of a Certificate of Public Convenience and Necessary to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities pursuant to the Provisions of KRS 278.020, KRS 278.300, and 807 KAR 5:001 (Ky. PSC Dec. 20, 2022), Order.*

District plans to comply with the records ordered to be filed within the case record of Case No. 2022-00245.

19. Refer to Case No. 2024-00010, Post-Hearing Brief at 4. Explain whether Morgan District reconciled its 2023 annual report to its 2023 audit.

 RP
Linda C. Bridwell, PE
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED JAN 28 2025

cc: Parties of Record

Case No. 2024-00325

Chris Adams
1009 Hwy 172
West Liberty, KENTUCKY 41472

*John Coffey
General Manager
Morgan County Water District
1009 Hwy 172
West Liberty, KY 41472

Patty Cordeiro
1009 Hwy 172
West Liberty, KENTUCKY 41472

Ellen Motley
1009 Hwy 172
West Liberty, KENTUCKY 41472

*Morgan County Water District
1009 Hwy 172
West Liberty, KY 41472

*L. Allyson Honaker
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 1203
Lexington, KENTUCKY 40509

*Heather Temple
Honaker Law Office, PLLC
1795 Alysheba Way
Suite 1203
Lexington, KENTUCKY 40509

*Jim Gazay
Morgan County Judge Executive
450 Prestonsburg Street
West Liberty, KENTUCKY 41472